

# FX & Markets Weekly

Week 23/2017

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## ECB left interest rates unchanged, maintained QE

Thursday's Governing Council of the ECB left interest rates unchanged at 0,00%, 0,25%, and -0,40% respectively. With respect to the rate outlook, the Governing Council expects them to remain at present levels for an extended period, and dropped the phrase "or at lower levels". Furthermore, June ECB staff macroeconomic projections revised down inflation and revised up GDP growth. The change in forward guidance is a way of preparing markets to a monetary policy shift. ECB wants to give warnings of what is to come, and at the same time leave room to manoeuvre should economic conditions change. EUR/USD dropped below 1,12 as a consequence. At-the-money option volatility is elevated up to 1 week. That covers also the Fed FOMC on June 13-14. Current Federal Funds Futures implied probabilities of a rate hike stand at 92,7%. Politically, EUR/USD will be impacted by a potential Greek debt deal next week at the Eurogroup, and in the U.S. from Trump impeachment talk.

## GBP dives as Tories lost majority in Parliament

British PM May's gamble in calling early elections backfired as her party lost majority in parliament. Brexit negotiations with the EU are scheduled to start on June 19. After the elections, U.K. is no more entering these negotiations from a strong position. Hence GBP depreciated against all majors week over week, by the most against AUD (-2,65%).

## Turkey sovereign FX auction 2,5x oversubscribed

Turkey sold EUR 1bn over 8 years at midswaps + 285bps (~3,377% yield). That was the 4<sup>th</sup> time the sovereign sold FX debt year-to-date. So far Turkish Treasury sold USD 7,25bn of FX debt in 2017. Annual FX debt target is TRY 35bn, around EUR 8,75bn at an exchange rate of 4,00. Meanwhile, OECD revised up its GDP growth estimate for Turkey by 0,1ppt to 3,4% for this year, also World Bank revised up its Turkey GDP growth projection by 0,5ppt to 3,5% for this year. Turkey Finance Minister Simsek commented via twitter: "with structural reforms 5% is within reach this year".

## Venezuela stock market surged to fresh record

Caracas Stock Exchange Stock Market Index (IBC Index, also known as the general index) prolonged its winning streak for the 11<sup>th</sup> consecutive week, surging by over 21% week-on-week. Its 5 day currency adjusted gain is for EUR investors even +23,95%. Just a reminder, that index closed last year at 31705 points, and is currently at 92326 points, it almost tripled year-to-date.



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## Economic Research and Development

Exchange Rates	Price as of 06/09/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR/USD	1,1180	-0,87	2,62	5,68
EUR/TRY	3,9411	-0,51	0,18	-1,28
EUR/CHF	1,0864	0,03	-1,01	1,37
EUR/GBP	0,87634	0,00	4,04	0,72
EUR/JPY	123,38	-0,95	-0,81	1,63
EUR/RUB	63,6393	-0,41	-0,06	1,37
EUR/CNY	7,5992	-1,11	1,07	3,87
USD/TRY	3,5241	0,42	-2,37	-6,54
USD/JPY	110,35	-0,03	-3,34	-3,83
USD/RUB	56,9229	0,49	-2,61	-4,08
USD/CNY	6,7962	-0,20	-1,61	-1,66

Sovereign Bonds 10Y	Price as of 06/09/2017	Change % 5 days	Change % 1 Month	Ask YTM
Austria	102,87	0,16	1,20	0,43
Belgium	105,19	0,37	2,11	0,41
China	98,22	0,35	0,24	3,60
EFSF	117,45	0,03	0,17	-0,24
ESM	113,99	0,14	0,53	-0,06
France	97,28	0,75	2,32	0,55
Germany	98,40	0,14	1,65	0,18
Greece	85,33	0,48	-2,44	5,88
Japan	100,68	-0,08	-0,12	0,02
Portugal	100,93	-0,10	2,96	2,74
Spain	99,83	1,06	1,64	1,31
Russia	104,75	-0,20	0,91	7,55
Switzerland	113,76	-0,20	1,05	-0,29
Turkey	101,85	-1,02	0,49	10,89
UK	104,83	0,21	1,65	0,95
US	98,34	-0,31	na	2,20

Turkey related	Price as of 06/09/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Basket	3,7329	-0,09	-1,04	-3,83
WAC of CBRT (T-1)	11,97	0,08	0,08	12,82
Gold TRY / gram	144,36	0,02	2,18	-1,11
TR Gov. B. 2Y yield	11,03	2,22	-3,67	-3,75

Euribor/Eonia	Price as of 06/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Eonia	-0,358	-0,85	-0,56	-1,42
Euribor 1 Month	-0,374	-0,54	0,00	-0,54
Euribor 3 Month	-0,331	-0,61	-0,61	-0,61
Euribor 6 Month	-0,264	-3,53	-6,02	-9,54
Euribor 12 Month	-0,140	-6,87	-13,82	-26,13

EUR Libor	Price as of 06/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
EUR Libor O/N	-0,430	-0,10	-1,96	-1,96
EUR Libor 1M	-0,404	-0,35	-0,35	-1,98
EUR Libor 3M	-0,371	-0,19	-1,76	-3,80
EUR Libor 6M	-0,292	-2,10	-8,56	-16,62
EUR Libor 12M	-0,175	-3,37	-26,76	-53,76

Commodities	Price as of 06/09/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Energy Futures				
WTI crude	45,84	-3,84	-0,95	-9,41
BRENT crude	48,08	-3,78	-2,14	-9,06
GAS oil	425,00	-3,30	-2,69	-9,54
Heating oil	143,07	-3,73	-1,24	-8,21
Natural gas	3,05	2,03	-7,69	-3,83
Gold Spot	1.274,15	-0,40	4,67	5,81
Silver Spot	17,33	-1,25	7,47	1,75
Platinum Spot	940,32	-1,48	4,31	0,46
Palladium Spot	873,97	3,87	9,89	16,90
Copper	262,00	1,75	4,86	0,92

Stock Indices	Price as of 06/09/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
ATX	3.197	1,50	3,52	13,89
BIST 100	99.095	0,23	3,96	11,34
CAC 40	5.285	-1,03	-2,03	6,16
DAX	12.771	0,86	0,19	6,64
Dow Jones (T-1)	21.183	0,18	0,99	1,55
Euro Stoxx 50	3.575	-0,45	-2,02	4,86
FTSE 100	7.504	-0,56	2,22	2,60
HANG SENG	26.030	0,41	4,59	10,76
IBEX 35	10.938	0,26	-1,04	9,37
MICEX	1.885	0,15	-5,88	-4,53
NASDAQ 100 (T-1)	5.885	1,18	3,65	9,72
NIKKEI 225	20.013	-0,81	0,86	3,60
S&P 500 (T-1)	2.434	0,15	1,54	2,91

Interest Rate Futures	Price as of 06/09/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Bobl	133,16	0,05	0,86	0,59
Bund	164,99	0,18	1,85	2,24

Risk Sentiment	Price as of 06/09/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
Baltic Dry Index (T-1)	824	-3,06	-18,17	-22,56
VIX	9,94	1,95	-0,20	-19,19
Turkey 5Y CDS (T-1)	196,364	0,55	-4,93	-18,13
MSCI EM Index (T-1)	1.019,06	0,39	2,87	10,42

USD Libor	Price as of 06/08/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
USD Libor O/N	0,931	-0,06	0,30	36,42
USD Libor 1M	1,117	3,83	12,37	30,23
USD Libor 3M	1,228	0,83	3,68	10,74
USD Libor 6M	1,415	-0,49	-1,49	-0,39
USD Libor 12M	1,728	0,11	-3,34	-4,04

TRY Libor	Price as of 06/09/2017	Change % 5 days	Change % 1 Month	Change % 3 Months
TRY Libor O/N	12,553	-0,01	1,12	13,73
TRY Libor 1M	12,640	0,20	2,73	11,41
TRY Libor 3M	12,695	0,36	2,34	9,06
TRY Libor 6M	12,776	0,51	1,98	8,57
TRY Libor 12M	12,835	0,20	0,24	5,90

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## Economic Research and Development

Date Time	Country	Economic Release	Period	Consensus	Actual	Prior
06/05/2017 14:30	US	Nonfarm Productivity	1Q F	-0.1%	0.0%	-0.6%
06/05/2017 14:30	US	Unit Labor Costs	1Q F	2.4%	2.2%	3.0%
06/05/2017 15:45	US	Markit US Services PMI	May F	54.0	53.6	54.0
06/05/2017 15:45	US	Markit US Composite PMI	May F	--	53.6	53.2
06/05/2017 16:00	US	ISM Non-Manf. Composite	May	57.1	56.9	57.5
06/05/2017 16:00	US	Factory Orders	Apr	-0.2%	-0.2%	0.2%
06/05/2017 16:00	US	Factory Orders Ex Trans	Apr	--	0.1%	-0.3%
06/05/2017 16:00	US	Durable Goods Orders	Apr F	-0.6%	-0.8%	-0.7%
06/05/2017 16:00	US	Durables Ex Transportation	Apr F	-0.2%	-0.5%	-0.4%
06/06/2017 16:00	US	JOLTS Job Openings	Apr	5750	6044	5743
06/07/2017 13:00	US	MBA Mortgage Applications	Jun 2	--	7.1%	-3.4%
06/07/2017 21:00	US	Consumer Credit	Apr	\$15.000b	\$8.197b	\$16.431b
06/08/2017 14:30	US	Initial Jobless Claims	Jun 3	240k	245k	248k
06/08/2017 14:30	US	Continuing Claims	May 27	1920k	1917k	1915k
06/05/2017 10:00	EA	Markit Eurozone Services PMI	May F	56.2	56.3	56.2
06/05/2017 10:00	EA	Markit Eurozone Composite PMI	May F	56.8	56.8	56.8
06/06/2017 10:10	EA	Markit Eurozone Retail PMI	May	--	52.0	52.7
06/06/2017 10:30	EA	Sentix Investor Confidence	Jun	27.4	28.4	27.4
06/06/2017 11:00	EA	Retail Sales MoM	Apr	0.2%	0.1%	0.3%
06/06/2017 11:00	EA	Retail Sales YoY	Apr	2.1%	2.5%	2.3%
06/08/2017 11:00	EA	Gross Fix Cap QoQ	1Q	0.8%	1.3%	0.6%
06/08/2017 11:00	EA	Govt Expend QoQ	1Q	0.4%	0.4%	0.4%
06/08/2017 11:00	EA	Household Cons QoQ	1Q	0.4%	0.3%	0.4%
06/08/2017 11:00	EA	GDP SA QoQ	1Q F	0.5%	0.6%	0.5%
06/08/2017 11:00	EA	GDP SA YoY	1Q F	1.7%	1.9%	1.7%
06/08/2017 13:45	EA	ECB Asset Purchase Target	Jun	EU60b	EU60b	EU60b
06/05/2017 09:00	TR	CPI MoM	May	0.40%	0.45%	1.31%
06/05/2017 09:00	TR	CPI YoY	May	11.70%	11.72%	11.87%
06/05/2017 09:00	TR	CPI Core Index YoY	May	9.55%	9.38%	9.42%
06/05/2017 09:00	TR	PPI MoM	May	0.50%	0.52%	0.76%
06/05/2017 09:00	TR	PPI YoY	May	15.21%	15.26%	16.37%
06/06/2017 13:30	TR	Effective Exchange Rate	May	--	91.38	90.31
06/08/2017 09:00	TR	Industrial Production MoM	Apr	0.0%	2.3%	1.3%
06/08/2017 09:00	TR	Industrial Production YoY	Apr	4.1%	6.7%	2.8%
06/08/2017 13:30	TR	Foreigners Net Bond Invest	Jun 2	--	\$114m	\$472m
06/08/2017 13:30	TR	Foreigners Net Stock Invest	Jun 2	--	\$477m	\$134m
06/06/2017 15:00	RU	CPI MoM	May	0.3%	0.4%	0.3%
06/06/2017 15:00	RU	CPI YoY	May	4.0%	4.1%	4.1%
06/06/2017 15:00	RU	CPI Core MoM	May	0.3%	0.1%	0.2%
06/06/2017 15:00	RU	CPI Core YoY	May	4.0%	3.8%	4.1%
06/07/2017 15:00	RU	Official Reserve Assets	May	404.8b	405.7b	401.0b
06/08/2017 14:24	RU	Light Vehicle Car Sales YoY	May	0,05	0,15	0,07
06/08/2017 15:00	RU	Gold and Forex Reserve	Jun 2	--	406.9b	406.1b
06/09/2017 10:00	RU	Money Supply Narrow Def	Jun 2	--	8.97t	9.00t

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Purpose of document: This report summarises the significant developments within the financial markets over the previous week and comments on their underlying background.